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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 000938

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TAGS: PREL PGOV ECON IS EG  
SUBJECT: PM NAZIF, CODEL TIERNEY DISCUSS  
ISRAELI-PALESTINIAN CONFLICT, GAZA BORDER, EGYPT'S ECONOMY

Classified By: ECPO Mincouns William R. Stewart for reason 1.4 (b).

¶1. (SBU) Summary: Prime Minister Ahmed Nazif met March 24 with Representatives John Tierney (D-MA), James Moran (D-VA), Maurice Hinchey (D-NY), Betty McCollum (D-MN), Keith Ellison (D-MN), Barbara Cubin (R-WY) and then-Ambassador Ricciardone.

PM Nazif praised President Bush's efforts to achieve Israeli-Palestinian peace, and counseled the U.S. to urge moderates on both sides to take steps toward peace. The PM said Egypt had told the Palestinians it does not want a repeat of the January 2008 Gaza border breach. He called for renewed negotiations between Israel, the PA and Egypt on securing the Gaza border. The PM said that Egypt's current inflation poses challenges to the country's working poor. He described conditionality on U.S. military aid to Egypt as a "sensitive issue." End summary.

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Israeli-Palestinian Conflict  
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¶12. (SBU) PM Nazif said that the Israeli-Palestinian conflict is a core issue in the region, and that the GOE appreciates President Bush's efforts to achieve peace. He regretted that the international community did not invest in creating jobs and infrastructure in Gaza following Israeli disengagement in 2005 as a way to prevent Hamas from taking over Gaza. The PM said Egypt believes only strong Israeli governments will be able to make peace with neighboring Arab states.

Representative Tierney said he would like to see a continued U.S. focus on Middle East peace, in close cooperation with Egypt.

¶13. (C) The PM said both Israel and the Palestinians need urging and encouragement to take positive steps forward to overcome the influence of extremists on both sides. He said that Hamas refuses to stop firing rockets, and that Israeli extremists do not want a solution to the conflict and cite Hamas rocket fire as a pretext to oppose territorial concessions. He said that Egypt tells the Israelis "not to over-react" to Palestinian provocations, and tells the Palestinians to stop their rocket attacks. The PM commented that the rocket fire harms Palestinian interests more than Israeli interests. Representative Ellison noted a recent poll in the Israeli media stating that 65 percent of the Israeli public wants a cease-fire and GOI negotiations with Hamas.

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Gaza Border  
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¶14. (C) Regarding the Palestinian border breakout at the Rafah crossing in January, the PM said that approximately 700,000 Palestinians entered Egypt, and President Mubarak made the difficult decision to absorb these Palestinians temporarily. Although the influx of Palestinians was beneficial for the Egyptian economy, Egypt eventually needed to send the

Palestinians back into Gaza. The PM said that Egypt has told the Palestinians that it does not want such a breach to recur; at the same time, Egypt has made clear to Israel that it cannot "imprison" the 1.5 million Palestinians in Gaza by permanently sealing the border.

¶ 15. (SBU) The PM described the current situation on the Gaza border as "sensitive," and expressed disappointment that the Hamas takeover had dissolved the 2005 Agreement on Movement and Access between Egypt, Israel, the PA and the EU. He said that currently only the Egyptians and Israelis monitor their sides of the border. The PM said there needs to be a three-way negotiated agreement between Egypt, Israel and the Palestinians on the border. Egypt "does its best" to prevent cross-border tunneling and smuggling, and is currently building a border wall. He noted that the Camp David Accords limit the number of Egyptian Border Guard Forces deployed on the border.

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Egyptian Economic Development  
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¶ 16. (SBU) PM Nazif told Codel Tierney Egypt realized in the 1970's that peace with Israel was a necessary condition for Egypt's economic development. He said that "so many wars with Israel" took their toll on Egypt's economy and society. Representative Tierney noted that economic development in Northern Ireland helped contribute to the peace there. The PM said that terrorism inside Egypt during the 1990's damaged the country's tourist industry. He noted that Egypt has worked hard and "sometimes alone" on counterterrorism. The

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PM said Egypt learned from this experience that as indigenous terrorists come from poor areas, the GOE needed to address the economic and social disparities that breed terrorism.

¶ 17. (SBU) The PM said that Egypt's current double-digit consumer goods inflation rate currently poses significant challenges as many Egyptians spend a large percentage of their income on food. He said that Egypt's economy had shown recent gains through diversification across the main sectors.

The government is trying now to bring economic dividends to Egyptian working people. He said that as the economy has become more market-focused and less protectionist, Egypt's poor have suffered. Representative Tierney noted that economic gains often do not trickle down to a society's working poor.

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Conditionality on Military Aid  
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¶ 18. (SBU) PM Nazif said that conditioning military aid to Egypt is a "sensitive issue." He noted that the U.S. increased military aid to Israel without conditionality, but decreased military aid to Egypt and Jordan. He said that Egypt needs peace on its eastern border with Israel. Representative Hinckley praised the Egyptian-Israeli peace accord as an example for the region.

¶ 19. (U) Codel Tierney cleared this message.  
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